NSSF warns it will declare lower interest rate paid to savers

Kampala:- September 17, 2019: The National Social Security Fund (NSSF) will pay a lower interest rate to its members for the Financial Year 2018/19 on account of a drop in its total income compared to the previous year, Managing Director Richard Byarugaba has said.

Addressing the media at Workers House in Kampala, Byarugaba said that the Fund's total income, which includes interest, rental, dividend, other Income, and share of results from associates, declined by 44% from UGX 1.6 trillion in 2017/2018 to UGX 892 billion.

This was due to volatility of the regional stock markets and appreciation of the Uganda shilling, which put pressure on the Fund's equity holdings and foreign currency investments.

"Although The East African stock markets suffered significant losses in value. For instance the NSE lost about 13.97%, the USE lost about 20.27% in Uganda, Rwanda lost about 3.51% and Tanzania was the least affected at 0.04%. Because of this, the share prices closed below the prices registered in at end of the previous Financial Year, which impacted our equity portfolio," he said.

"There was general appreciation of the Uganda Shilling in the Financial Year against all major currencies. For instance, the KES depreciated, falling from 37.97 at the start of the Financial Year to close just below 36," he added.

Byarugaba said that given our performance this year, the Fund will not match the 15% interest rate paid the previous Financial Year 2017/2018.

"The return we pay to members depends on the financial performance of the Fund. This is means that in principle, the members share the profits but also the losses. As we await the declaration by the Minister of Finance, Planning & Economic Development, our members should expect a reduction in the interest rate this year compared to last year," he said.

He said that although the Fund will most likely declare lower interest rate to its members, it will still pay a competitive return, at least 2 percentage points above the 10 year average rate of inflation.

"Our commitment to pay 2% above 10-year inflation, which we started fulfilling in the 2012-13 fiscal year, means that the Fund plans on offering, at least, double digit returns to its members over the next few of years," he said.

Byarugaba also assured members that the Fund is stable and financially sound, and continues to grow both in value and membership.

After all, the Assets under Management increased by 13.1% from Ugx 9.98 trillion to Ugx 11.3 trillion at 30th June 2019, mainly driven by increased contributions and interest income. Contributions also increased by 17%, from Ugx 1.049 trillion to Ugx 1.227 trillion.

In addition, realized income also grew by 19% growth from Ugx 1.05 trillion in 2017/2018 to Ugx 1.26 trillion in 2018/2019 due to increased gross interest income from Treasury and Infrastructure bonds

"Our members should therefore be confident in the health of the Fund. In the short, medium and long term, the Fund remains financially stable and growing. We have the ability and means to withstand any shock in the economy, given our aggressive but prudent investment approach and our investment diversification strategy. Safety and Security of members' funds will remain the guiding principle in our decision making," he said.

2018/19 Performance Summary

- Assets under Management increased by 13.1% from Ugx 9.98 trillion to Ugx 11.3 trillion at 30th June 2019.
- Annual contributions collections increased from Ugx 1.049 trillion to Ugx 1.227 trillion – a 17% growth
- Realized income from Ugx 1.05 trillion in 2017/2018 to Ugx 1.26 trillion in 2018/2019 due to increased gross Interest income from Treasury and Infrastructure bonds – a 20.4% growth
- The amount of money paid in benefits increased by 25% from Ugx 360 billion in 2017/2018 to Ugx 450 billion in 2018/19
- The Average Benefits Turn-Around-Time 2018/19 remained flat at 8 days
- Cost of Administration improved slightly from 1.31% in 2017/2018 to 1.29% in 2018/2019
- The cost income ratio remained flat at 12.8%
- The compliance level based on 1 month is now at 61%
- Customer satisfaction slightly dipped by 1% from 85% in 2017/2018 to 84% in 2018/2019
- Staff engagement slightly dipped from 90% in 2017/2018 to 88% in 2018/2019